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C O N F I D E N T I A L ASUNCION 000108

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E.O. 12958: DECL: 02/15/2029

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SUBJECT: TOUCHING BASE WITH FM HAMED ON TRADE, COOPERATION

REF: A. 08 ASUNCION 00791

[1](#)B. ASUNCION 00101

[1](#)C. ASUNCION 00103

Classified By: DCM Michael J. Fitzpatrick; reasons 1.4 (b) and (d).

[1](#)1. (C) SUMMARY: Foreign Minister Hamed Franco told Ambassador February 12 that "we will see a change" regarding Paraguay's position in the World Trade Organization opposing U.S. waivers for trade preference programs. On biofuels, Hamed said the GOP just held a meeting among ministries with biofuels equities to discuss the draft MOU and a counter-proposal. A political light-weight who is suffering from health problems, Hamed continues to be a cipher in the Lugo administration. He is widely viewed as lacking the foreign policy experience that Lugo needs to advance the country's interests. Many have commented that Lugo will make cabinet changes at the one-year mark in August. We're guessing that Hamed will be one of the first in line. END SUMMARY.

TRADE: WTO POSITION CHANGE "COMING SOON"

[1](#)2. (C) Following her return to post, Ambassador sought an early appointment with Foreign Minister Alejandro Hamed Franco. Hamed told Ambassador February 12 that "we will see a change" regarding Paraguay's position in the World Trade Organization opposing U.S. waivers for trade preference programs. The Ambassador noted Congressman Engel's February 4 opening statement in the House Foreign Affairs Subcommittee on the Western Hemisphere and his continued interest in Paraguay (reftel A), confirming that the new Obama administration continues to seek stronger commercial ties with Paraguay. Hamed assured the Ambassador that he remains in contact with MFA officials in Washington and Geneva, and that their own "internal process is evolving." Hamed noted that with the Obama inauguration, "the situation has changed." (NOTE: Lower-level MFA and Ministry of Industry and Commerce officials have told Emboffs that the GOP held the policy change for the new Obama administration and that it would come "soon." END NOTE).

BIOFUELS

[1](#)3. (SBU) In response to the Ambassador's inquiries about the planned signing of a biofuels agreement as a result of the October Lugo-Bush meeting in Washington, Hamed said the GOP just held a meeting involving all ministries with biofuels equities to discuss the U.S. proposal for a MOU and the GOP's forthcoming counter-proposal. Hamed promised a response (and a signing date) soonest. Hamed's staff indicated interest in

pursuing a biofuels agreement similar to the United States' agreement with Brazil. They also mentioned technology to expand sugar cane production for small producers, microcredit initiatives, and improvements in seedlings and technical norms as possible areas of collaboration. They said Paraguay's biofuels production is focused in the departments of Guaira, Caaguazu, Caazapa, Paraguari, and Cordillera.

MISCELLANEOUS ISSUES

¶4. (C) The Ambassador expressed interest in advancing mil-to-mil cooperation and provided Hamed with the Minister of Defense's January 26 letter to the Charge. (NOTE: Neither Hamed nor his staff had seen the letter, although they seemed to be familiar with its contents. END NOTE). Hamed was very receptive but did not offer any substance on the topic.

¶5. (SBU) Hamed and the Ambassador also discussed possible dates for the annual Three Plus One meeting on counter terrorism to be held in Washington. Hamed said the April 6-8 dates were agreeable to Paraguay and confirmed that the GOP delegation would be led by the MFA's Director of Special Affairs Victor Hugo Pena.

¶6. (SBU) Hamed commented that Paraguay would likely change its ambassador to the United States in April or May. The Ambassador mentioned she had breakfast with Ambassador Spalding in early February in Washington; Hamed said they would likely leave him in place until Spalding's wife delivers her baby in approximately April. When asked whether a replacement had been identified, he indicated "not yet." (NOTE: Post has heard that Paraguay's ambassador to the OAS, Manuel Caceres Cardozo, may be a front-runner. END NOTE). Hamed also reiterated the GOP's request for a Lugo-Obama meeting on the margins of the Summit of the Americas; Ambassador also discussed issues related to the Cartagena Protocol on Biosafety (reftel B) and Iran (reftel C).

COMMENT

¶7. (C) A political light-weight who is suffering from fatigue and other health problems, Hamed continues to be a cipher in the Lugo government. He is widely viewed as lacking the foreign policy experience that Lugo needs to advance the country's interests. At recent negotiations with Brazil on Itaipu, Hamed embarrassed the Paraguayan delegation by going into long diatribes about the Middle East peace process. Similarly, during our meeting he discussed Paraguay's influence on the Spanish language and Arab-African relations for such an extended time that his staff appeared annoyed. That said, he is pleasant and receptive to U.S. requests and cooperation, even expressing interest in developing a formal annual mechanism for discussing bilateral issues -- a "mixed commission" at the Secretary or Under Secretary level, as Paraguay does with other countries in the region. Hamed commented that things continue to be difficult for the Lugo administration domestically. It appears that they are difficult for him professionally as well. Many have commented that Lugo will make cabinet changes at the one-year mark in August. We're guessing that Hamed will be one of the first in line. END COMMENT.

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